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SUBJECT: DUBAI RULER ISSUES NEW PROPERTY LAW

¶1. On March 15, UAE Vice President and Prime Minister Mohammed bin Rashid Al Maktoum (MBR), in his capacity as Ruler of Dubai, issued a new property law providing land ownership rights to expatriates and public joint stock companies. The law grants buyers indisputable legal title to property in Dubai for the first time.

¶2. The law -- Law Number 7 of 2006 -- allows foreigners to lease or purchase land in designated freehold areas, after getting approval from one of three master developers -- Emaar, Al Nakheel, and Dubai Real Estate. Prior to the issuance of this law, the only guarantee expatriates had of ownership was a contract with the developer. Under the new law, Dubai Land and Properties Department will set up a real estate registrar to record properties under the names of owners. Multi-story property will be dealt with as one unit in the register. The law will be followed by a number of new by-laws that will identify the freehold areas in Dubai and determine the registration fees and procedures (currently 2% of the property value). (Note: Although the assumption is that many existing developments will be designated as freeholds, as of now, the Emirate of Dubai has not formally designated any properties as freeholds.)

¶3. The new legislation proposes three kinds of ownership: freehold, usufruct, and common hold. The owner will have complete title over free hold property, and buildings on the land will be in the owner's name. The second category is usufruct or long-term lease. The law defines usufruct as "the right to use another's property short of destruction or waste of its substance." The law states the right of usufruct should not be for less than five years or greater than 99 years. Common hold property owners, for instance those in an apartment building, will have titles to their own units as well as a share in the common property of a building. Subsurface rights, commonly referred to as mineral rights, remain with the government.

¶4. MBR's decree -- eagerly awaited for more than four years since an initial announcement formally opened the industry to foreigners without establishing the necessary laws -- was headlined in the local press and hailed by industry officials and lawyers. Local economists predict hectic activity at the Lands Department, and many expect that Dubai property prices will increase.

¶5. The Government of Abu Dhabi introduced its own property law on August 13, 2005. Under the law -- enacted in September 2005 -- UAE nationals can own property anywhere within the emirate of Abu Dhabi. GCC nationals can own land in designated investment areas. Other expatriates have certain leasehold rights in investment areas under a 99-year land title agreement or a renewable 50-year surface ownership deal.

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